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Improving the financial situation of the United Nations

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Report of the Secretary-General

Addendum

Summary

The present report reviews the Organization's financial situation as at 31 December 2013 and 30 April 2014 and provides an update to the information presented in the previous report of the Secretary-General (A/68/524).

The report focuses primarily on four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding payments to Member States.

The Organization's financial situation at the end of 2013 was generally sound. The cash position was positive across all categories except the regular budget, where it was again necessary to draw on reserves, both Working Capital Fund and Special Account, during the last quarter of 2013. The level of outstanding payments to Member States at 31 December 2013 reflected improvement compared with the previous year and is projected to further improve by the end of 2014.

As at 30 April 2014, the cash position was positive for all categories, although it is expected that the regular budget cash situation will tighten again towards the end of the year. In addition to any regular budget shortfalls, the Working Capital Fund and the Special Account will also be used to bridge any capital master plan cash flow requirements during 2014. The final outcome of the year will depend on Member States meeting their financial obligations to the Organization in full during the remainder of the year.

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I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/68/524). It also provides a review of the Organization's financial situation as at 31 December 2013 and 30 April 2014.

2. In the present report, the financial situation of the United Nations is considered on the basis of the four main financial indicators that have traditionally been used to measure the strength of the Organization, namely, assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding payments to Member States.

II. Review of the financial situation

3. Regular budget assessments were issued at approximately the same level in 2013 and 2014, while assessments for the tribunals in 2014 were significantly below the 2013 level. As regards peacekeeping, the level of assessments in 2013 mainly reflects the timing of the decision on the new scale of assessment, as a significant portion of the assessments for peacekeeping fiscal year 2012/2013 could only be issued in 2013 after the decision on the scale of assessment for 2013-2015 in December 2012. At 30 April 2014, cash balances were positive across all categories, although the regular budget situation is expected to tighten again in the last quarter of the year. As regards troop costs and contingent-owned equipment, there continues to be an improvement in the level of outstanding payments to Member States at year end.

A. Regular budget

4. Assessments were issued at a level of approximately $2.6 billion in 2013 and 2014. As regards unpaid assessments, there was a significant reduction in the level outstanding in the last quarter of 2013 (from $945 million to $461 million). In addition, payments received by 30 April 2014 were higher at $1.68 billion in 2014, compared with the $1.53 billion received by the same date in 2013. Unpaid assessments at 30 April 2014 amounted to $1.39 billion, which is $13 million below the level unpaid at 30 April 2013. Despite these improvements, unpaid regular budget assessments continue to be highly concentrated.

5. By the end of 2013, a total of 146 Member States had paid their regular budget assessments in full, three more than the level reached the year before. The Secretary-General wishes to thank the 146 Member States that honoured their obligations to the regular budget in full by 31 December 2013 and invites all other Member States to pay their assessed contributions in full as soon as possible.

6. As at 30 April 2014, a total of 79 Member States had paid their assessments to the regular budget in full. This is three more than had done so as at 30 April 2013, the cut-off date for last year's presentation. Again, the Secretary-General wishes to pay tribute to those 79 Member States for their support to the work of the Organization and invites other Member States to follow their example.

7. Cash resources available for the regular budget under the General Fund include the Working Capital Fund, authorized at $150 million by the General Assembly, and the Special Account. At 30 April 2014, the Special Account was at a reduced level of $234 million after the use of $26.6 million to finance the 2012-2013 regular budget. During the last quarter of 2013, there were regular budget cash shortfalls, which were covered by the Working Capital Fund in October and November, and also by the Special Account during December. The final position at 31 December 2013 reflected a $31 million shortfall, which was fully covered by the Working Capital Fund.

8. As at 30 April 2014, the regular budget cash balance had increased to $806 million, reflecting the receipt of contributions at the beginning of the year with expenditures to be spread throughout the year. However, if the trend of previous years is experienced, the regular budget cash will face some tightening in the last quarter of the year. In addition, General Assembly resolution 68/247 B authorized the use of the Working Capital Fund and the Special Account on an exceptional basis as a bridging mechanism to address the possible cash flow challenges of the capital master plan, including associated costs, until the sixty-ninth session. This will add pressure to the overall cash position of the General Fund. As at 30 April 2014, it had not been necessary to utilize the Working Capital Fund. The final cash position at the end of 2014 will depend largely on the payments received from Member States in the coming months.

B. Peacekeeping operations

9. The changing demand for peacekeeping activities makes it hard to predict the financial outcomes. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessment letters can only be issued through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between the financial situation of peacekeeping operations and those of the regular budget and the tribunals.

10. The total amount outstanding for peacekeeping operations at the end of 2013 was $2.2 billion, reflecting an increase compared with the $1.3 billion outstanding at the end of 2012. The level of unpaid assessments at the end of 2013 is directly related to the level of peacekeeping assessments in 2013. A significant portion of the assessments for peacekeeping fiscal year 2012/2013 could only be issued in 2013 after the decision on the new scale of assessment in December 2012. By 30 April 2014, the level of unpaid assessments had been reduced to $1.5 billion, at the same level as one year before.

11. The total outstanding amount of $2.2 billion at the end of 2013 reflected a considerable decrease from the $3.4 billion that had been reported as outstanding at 1 October 2013. More recently, as at 30 April 2014, new assessments of $741 million were issued and the total balance outstanding amounted to $1.5 billion. Unpaid peacekeeping assessments continue to reflect some concentration.

12. As at 31 December 2013, 21 Member States had paid all peacekeeping assessments in full. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be difficult for Member States to keep fully

current with them. In this connection, the Secretary-General wishes to give special thanks to Australia, Austria, Canada, Denmark, Finland, Hungary, Iceland, Ireland, Israel, Italy, Netherlands, New Zealand, Nigeria, Republic of Korea, Samoa, Senegal, Singapore, Solomon Islands, South Africa, Switzerland and Tuvalu.

13. More recently, as at 30 April 2014, the number of Member States that had paid all peacekeeping assessments was 23. The Secretary-General would like to pay special tribute to Austria, Barbados, Denmark, Equatorial Guinea, Finland, Ireland, Israel, Japan, Latvia, Liechtenstein, Netherlands, New Zealand, Nigeria, Norway, Republic of Korea, Samoa, Senegal, Singapore, Sweden, Switzerland, Timor-Leste, Turkmenistan and United Republic of Tanzania.

14. Although the total cash available for peacekeeping at the end of 2013 was $4.1 billion, it was divided among the separate accounts maintained for each peacekeeping operation and there are restrictions on the use of this cash among missions. In its resolutions on the financing of peacekeeping operations, the General Assembly has specified that no peacekeeping mission should be financed by borrowing from other active peacekeeping missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use only to new operations and expansions of existing operations. The cash available at the end of 2013 comprised $3.6 billion in the accounts of active missions, $360 million in the accounts of closed missions and $128 million in the Peacekeeping Reserve Fund.

15. Concerning outstanding payments to Member States, the amount owed for troops, formed police units and contingent-owned equipment at 31 December 2013 was $513 million, reflecting a decrease from the $525 million owed at the start of the year.

16. As at 30 April 2014, the total amount owed to Member States was $804 million, of which $307 million was for troops and formed police units and $497 million was for contingent-owned equipment claims. Payments for troops and formed police unit costs were current up to January 2014 for all active missions, except for the United Nations Mission for the Referendum in Western Sahara (MINURSO) and the United Nations Peacekeeping Force in Cyprus (UNFICYP) which are paid to October and December 2013 respectively.

17. On the basis of currently available information, the outstanding payments to Member States for troops and formed police units and for contingent-owned equipment claims are expected to decrease to $500 million by the end of 2014. The Secretary-General is committed to meeting obligations to Member States providing troops and equipment as expeditiously as possible as the cash situation permits. The peacekeeping cash situation is monitored constantly, and, as a matter of priority, the Organization endeavours to maximize the quarterly payments based on the available cash and data. To effect those payments, the Organization depends on Member States meeting their financial obligations in full and on time, and also on the expeditious finalization of memorandums of understanding with troop contributors for the provision of equipment.

C. International tribunals

18. The overall financial position of the international tribunals at the end of 2013 reflected a higher level of unpaid assessments compared with the year before.

Outstanding assessments amounted to $54 million at the end of 2013, while the amount at the end of 2012 was $36 million.

19. However, the number of Member States paying their assessed contributions for the international tribunals in full by the end of 2013 was 113, nine more than the level reached at the end of 2012. The Secretary-General wishes to express sincere thanks to the 113 Member States that paid their assessed contributions in full by 31 December 2013 and urges other Member States to follow their example.

20. As at 30 April 2014, outstanding assessments for the tribunals amounted to $149 million which is $29 million lower than the $178 million outstanding on 30 April 2013. By this year's cut-off date of 30 April 2014, 54 Member States had paid their assessed contributions to both tribunals and the International Residual Mechanism for Criminal Tribunals in full, 13 higher than at the same date the previous year. The month-by-month position of cash balances for the tribunals was positive in 2013 and has been positive so far in 2014. The final outcome of 2014 will depend on Member States continuing to honour their financial obligations to the tribunals.

D. Capital master plan

21. A total of $1.87 billion was assessed under the special account for the capital master plan. The bulk of the contributions assessed to Member States have already been received, with $0.7 million still outstanding as at 30 April 2014.

22. Cash balances for the capital master plan were positive up to 30 April 2014. The remaining capital master plan cash will be fully utilized in coming months. The General Assembly has authorized the use of the Working Capital Fund and the Special Account as a bridging mechanism to address possible cash flow challenges, including associated costs, pending its decision on the final appropriation at the main part of its sixty-ninth session.

23. Over the years, Member States have demonstrated their support for the project, as shown by the number of Member States that have paid their capital master plan assessments in full. The Secretary-General wishes to express his gratitude to those 174 Member States and urges the other Member States to complete their payments to the capital master plan.

III. Conclusions

24. The overall financial situation of the Organization at the end of 2013 was generally sound, thanks to the continued positive efforts of many Member States. However, it was again necessary to draw on regular budget cash reserves, the Working Capital Fund and Special Account, during the last quarter of 2013. While there was an increase in the number of Member States paying in full for the regular budget in 2013, unpaid assessments remain at a significant level and continue to be highly concentrated.

25. Currently, the overall cash position is positive for all categories, providing a solid financial base for the Organization. However, the regular budget situation is expected to again tighten towards the end of the year. In addition to any regular

budget cash shortfalls, the Working Capital Fund and Special Account will also be used to bridge any capital master plan cash flow requirements during 2014. The Secretariat will continue to monitor the situation closely and will keep the General Assembly informed.

26. The level of outstanding payments to Member States also reflected an improvement at the end of 2013 and will further decrease to $500 million by the end of 2014. The Secretariat will continue to make every effort to expedite outstanding payments to Member States.

27. The Secretary-General wishes to pay a special tribute to the Member States that paid in full all assessments for the regular budget, the international tribunals, peacekeeping operations and the capital master plan that were due and payable as at 6 May 2014: Australia, Austria, Brunei Darussalam, Canada, Denmark, Equatorial Guinea, Finland, Hungary, Germany, Iceland, Ireland, Israel, Japan, Latvia, Liechtenstein, Netherlands, New Zealand, Norway, Samoa, Senegal, Singapore, Sweden, Switzerland, Timor-Leste, Turkmenistan and United Republic of Tanzania. Member States from which payments were received after 6 May 2014 include Georgia, Kenya and Republic of Korea, bringing the total to 29. Other Member States are urged to follow the example of those countries.

28. As always, the financial health of the Organization continues to depend on Member States meeting their financial obligations in full and on time.